Government of Saskatchewan

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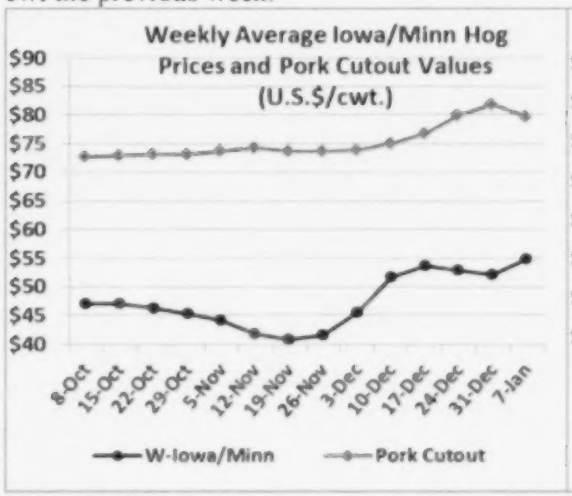
Weekly Hog Report

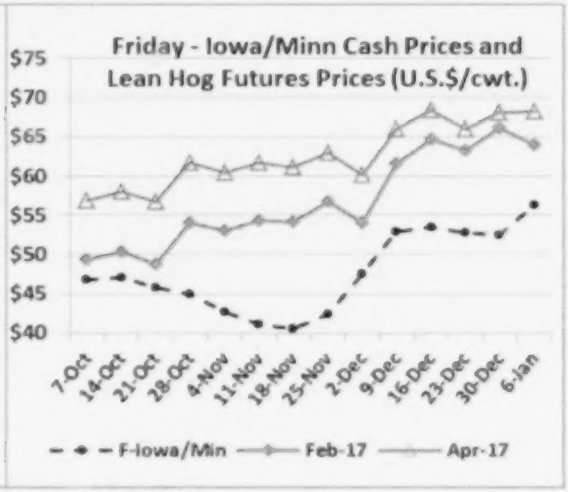
January 10, 2017

Cash Slaughter Weight Hog Prices

United States daily average cash hog prices (Iowa/Minn) moved higher last week. Hog prices on Friday January 6 averaged US$56.33 per cwt, up US$3.89 per cwt or 7.4 per cent from US$52.44 per cwt the previous Friday. The negotiated weekly base price last week averaged US$54.83 per cwt, up US$2.81 per cwt or 5.4 per cent from US$52.02 per cwt the previous week.



Source: LMIC



Source: LMIC, CME

In Canada, the new contract Signature#5 (Maple Leaf) Index 100 daily price for Friday January 6, 2016 was $137.98 per ckg, up $1.83 per ckg or 1.3 per cent from $136.15 per ckg the previous Friday. Signature#5 weekly prices (Friday to Thursday) averaged $136.98 per ckg, up $0.41 per ckg or 0.3 per cent from the previous weeks' average price of $136.57 per ckg.

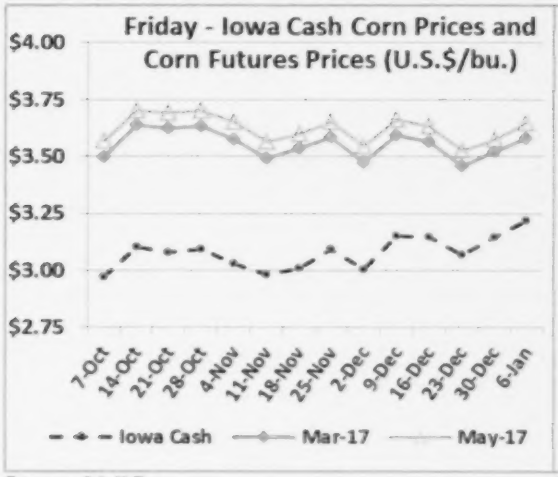
The Canadian dollar settled Friday at 75.57 cents, up 1.09 cents from 74.48 cents the previous Friday. The increase in value of the Canadian dollar relative to the U.S. dollar last week limited the price gains on Canadian hogs.

Futures Markets

United States lean hog futures daily prices were mixed last week and ended the week mixed, week-over-week. The nearby February contract declined US$2.175 per cwt to settle Friday at US$63.975 per cwt. The April 2017 lean hog futures contract increased slightly (US$0.125 per cwt) last week to settle Friday at US$68.200 per cwt.

Cash Feeder Hog Prices

North American (Iowa) iso-wean (10-12lb) cash hog prices and feeder (40lb) cash hog prices were higher last week. Weighted average cash prices for iso-weans (12lb) last week were US$53.77 per head, up US$1.71 per head from US$52.06 per head the previous week. Feeders (40lb) averaged US$65.33 per head, up US$3.12 per head from US$62.21 per head, the previous week. Cash prices for both iso-weans and feeders have had a strong rally since early December.



Source: LMIC

Source: Iowa Agriculture, CME

U.S. corn prices were overall higher last week. Iowa cash corn prices settled last Friday at US$3.22 per bushel, up seven cents from US$3.15 per bushel the previous Friday. The March corn futures contract increased six cents last week to settle last Friday at US$3.58 per bushel, while the May 2017 corn contract increased over seven cents per bushel to settle Friday at US$3.64 ¾ per bushel.

Hogs Slaughtered

U.S. hogs slaughtered under federal inspection for the shorter week ending January 7 were estimated at 2.088 million head, up 0.3 per cent from 2.081 million head the previous week, but down 12.1 per cent from 2.375 million head the same week a year ago. Weekly U.S. hog slaughter numbers over the last four weeks have averaged about 2.208 million head, up 2.5 per cent from 2.155 million head over the same period a year ago.

In Canada, federal and provincial hog slaughter numbers for the shorter week ending December 31, 2016 were estimated at 251,273 head, down 31.7 per cent from 367,916 head the previous week, and down 11.7 per cent from 284,643 head the same week a year ago. Canadian hog slaughter numbers over the last four weeks averaged 379,753 head, down 5.6 per cent from 402,282 head over the same period in 2015.

Total hogs slaughtered in Canada for 2016 are estimated at 21,255,667 head, up 0.33 per cent from 21,186,243 head in 2015. In Western Canada, total hogs slaughtered for 2016 are estimated at 8,777,465 head, down 0.33 per cent from 8,806,223 head from 2015. (Source: Agriculture and Agri Food Canada/Canadian Food Inspection Agency)

Meat Production

U.S. pork production for the shorter week ending January 7, 2016 was estimated at 440.1 million lb., down slightly from 440.3 million lb. the previous week, and down 13.9 per cent from 511.2 million lb. the same week a year ago. Pork production over the last four week's ending January 7 was estimated to average 465.4 million lb., up 1.2 per cent from 459.9 million lb. over the same four week period a year ago. Total U.S. pork production for 2016 was estimated at just over 26.7 billion lbs., up 1.6 per cent from 2015.

U.S. beef production for the week ending January 7 was estimated at 448.3 million lb., up 4.9 per cent from 427.4 million lb. the previous week, but down 2.3 per cent from 458.7 million lb. the same week a year ago.

Combined production of U.S. beef, pork, chicken and turkey over the four weeks ending December 31, 2016, was estimated to average 2.017 billion lb., up 8.4 per cent from 1.861 billion lb. over the same four weeks a year ago. Total U.S. meat production for 2016 was estimated to be 3.3 per cent higher compared to the same period in 2015.

United States Weekly Meat Production

(Dec. 31) Four Week Average - Million Lb.			Percent Change	
	2015	2016	4 Week	2016
Pork	461.8	485.0	5.0%	1.6%
Beef	420.5	479.3	14.0%	6.3%
Chicken	874.6	929.6	6.3%	2.3%
Turkey	104.6	123.3	17.9%	5.8%
Total	**1,861.4**	**2,017.1**	**8.37%**	**3.28%**

Source: LMIC

Cutout Values

U.S. national pork cutout values for the week ending January 7, 2016 averaged US$79.61 per cwt, down US$2.18 per cwt or 2.7 per cent from US$81.79 per cwt the previous week, but up 13.8 per cent from US$69.94 per cwt from the same week a year ago.

Choice beef cutout prices (600-900 lb.) for the week ending January 7, 2016 averaged US$201.83 per cwt over the week, up slightly from US$201.79 per cwt the previous week, but down 10.8 per cent from US$226.24 per cwt the same week a year ago.

Average chicken cutout values (breast) for the week ending January 7, 2016 averaged US$97.74 per cwt, down US$0.75 per cwt or 0.8 per cent from US$98.49 per cwt the previous week, and down 5.6 per cent from US$103.54 per cwt the same week a year ago.

USDA Hogs and Pigs Report

USDA released the December *Hogs and Pigs Report* on December 23, 2016. Total U.S. hog inventory numbers as of December 1, 2016, was estimated at 71.500 million head, up 3.7 per cent from 68.919 million head on December 1, 2015, and up 0.3 per cent from 71.286 million head as of September 1, 2016. The total annual inventory increase of 3.7 per cent was well above the 1.7 per cent average increase estimated by the trade analysts.

Breeding herd inventory numbers in the United States as of December 1, 2016, was estimated at 6.090 million head, up 1.5 per cent from 6.002 million head on December 1, 2015, and up 1.2 per cent from 6.016 million head on September 1, 2016. Breeding herd numbers were also above the trade analyst estimates of 0.2 per cent growth.

Market herd inventory numbers in the United States as of December 1, 2016, was estimated at 65.400 million head, up 3.95 per cent from 62.917 million head on December 1, 2015, and up 0.2 per cent from 65.250 million head on September 1, 2016. Trade analysts were estimating market inventory numbers to increase by 2.0 per cent (year/year) which was far less than the 3.95 per cent reported by USDA.

United States Hog Inventory Numbers, (1,000 head)

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Sept-Dec.	Y/Y(Dec.)
All Hogs & Pigs	67,165	69,185	68,919	68,124	69,281	71,286	71,500	**0.30%**	**3.74%**
Kept for breeding	5,926	5,986	6,002	5,980	5,979	6,016	6,090	**1.23%**	**1.47%**
Market	61,240	63,200	62,917	62,144	63,302	65,250	65,400	**0.23%**	**3.95%**
Market Hogs									
Under 50 lbs	19,365	20,741	20,008	19,897	20,356	21,090	20,885	**-0.97%**	**4.38%**
50-119 lbs	17,461	18,496	17,262	17,198	18,198	18,851	18,037	**-4.32%**	**4.49%**
120-179 lbs	12,985	12,855	13,370	13,819	13,291	13,615	13,911	**2.17%**	**4.05%**
180 lbs & Over	11,429	11,108	12,276	11,229	11,456	11,713	12,580	**7.40%**	**2.48%**

Source: December 23, 2016 USDA Hogs & Pigs Report

Sow farrowing numbers for the September-to-November 2016 period totaled 3.043 million head, a 3.9 per cent increase from 2.929 million head farrowed the same quarter a year ago and well above the 0.4 percent increase estimated by trade analysts.

United States, Sows Farrowing and Intentions, Pigs Born

Quarterly Sows Farrowing and Intentions				Quarterly Pigs Born		
	Thousand Head			Thousand Head		
Quarter	**2015**	**2016**	**2017**	**2014**	**2015**	**2016**
Dec - Feb (1)	2,895	2,927	2,968 (1)	26,326	29,627	30,139
Mar - May	2,854	2,968	2,997 (2)	27,495	29,593	31,097
June - Aug	3,017	3,025		30,402	31,343	31,987
Sept - Nov	2,929	3,043		30,633	30,848	32,333
TOTAL	**11,695**	**11,963**		**114,856**	**121,411**	**125,556**

(1) December preceeding year.
(2) Farrowing Intentions.
Source: USDA Hogs and Pigs Report, December 23, 2016.

USDA reported farrowing intentions for the December-to-February 2017 period were estimated at 2.968 million head, a 1.4 per cent increase from the same quarter a year ago. Trade analysts were projecting a 0.4 per cent decline for farrowing intentions. The reported USDA March-to-May 2017 farrowing intentions were estimated at 2.997 million head, a one per cent increase from 2.968 million head the same quarter a year ago. Trade analysts were estimating a slight increase in farrowing numbers of 0.5 per cent for the period.

USDA estimated the September-to-November 2016 pig crop at a record high 32.333 million head, a 4.8 per cent increase from the same quarter in 2015. Trade analysts were estimating only a 1.5 per cent increase in the pig crop for the September-to-November 2016 period. Pigs saved per litter established a new record high of 10.63 pigs.

The *USDA Hogs and Pigs Report* numbers in general were well above the average trade analyst numbers. Market hog inventory numbers were 3.95 per cent higher, year-over-year; double the increase compared to trade analyst estimates of 2.0 per cent higher. All market hogs in weight categories below 180 lb. were over four percent higher in inventory than a year ago (Dec. 1). The September-to-November 2016 pig crop numbers were 3.9 per cent higher than the same quarter a year ago, and well above the trade analyst estimates.

The *USDA Hogs and Pigs Report* will be viewed as negative with more pigs in inventory and increased first quarter 2017 production. To date the market has taken these numbers into stride with cash and futures prices overall higher since December 23. Increased U.S. hog slaughter capacity coming online this summer is likely a big reason the market has not reacted as expected.

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